UTILITY PATENT APPLICATION TRANSMITTAL
(new nonprovisional applications under 37 CFR 1.53(b))

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First Named Inventor: Bernard H. Wolzenski
Title: PROCESS FOR COMPREHENSIVE FINANCIAL AND ESTATE PLANNING
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TO: Assistant Commissioner for Patents
      Box Patent Application
      Washington, D.C. 20231

APPLICATION ELEMENTS

1.   [X]   Fee Transmittal Form
           (original and duplicate)

2.   [ ]   Applicant claims small entity status

3.   [X]   Specification [Total Pages __28__]

4.   [X]   Drawings [Total Sheets __05__]

5.   Oath or Declaration [Total Pages __04__]

     a.   [ ]   Newly executed (original or copy)
          [X]   New (unexecuted)

     b.   [ ]   Copy from a prior application
                (for continuation/divisional with
                Box 19 completed)
          i.   [ ]   DELETION OF INVENTOR(s)
               Signed statement attached
               deleting inventor(s) named
               in prior application.

6.   [ ]   Incorporation By Reference
           (useable if Box 4b is marked)
     The entire disclosure of the prior application, from which a
     copy of the oath or declaration is supplied under Box 4b, is
     considered as being part of the disclosure of the
     accompanying application and is hereby incorporated by
     reference therein.

7. [ ] Application Data Sheet

8. [ ] CD-ROM or CD-R in duplicate, large table or Computer Program (Appendix)

9. [ ] Nucleotide and/or Amino Acid Sequence Submission (if applicable, all necessary)

    a. [ ] Computer Readable Form
    b. [ ] Specification Sequence Listing on:
        i. [ ] CD-ROM or CD-R (2 copies); or
        ii. [ ] paper
    c. [ ] Statements verifying identity of above copies

ACCOMPANYING APPLICATION PARTS

10. [ ] Assignment Papers (cover sheet & document(s))

11. [ ] 37 CFR 3.73(b) Statement   [X] Power of Attorney

12. [ ] English Translation Document (if applicable)

13. [ ] IDS with PTO-1449   [ ] Copies of IDS Citations

14. [ ] Preliminary Amendment

15. [X] Return Receipt Postcard

16. [ ] Request and Certification for Non-Publication. Form PTO/SB/35 is attached.

17. [ ] Certified Copy of Priority Document(s) if foreign priority is claimed

18. [ ] Other: _____

IF A CONTINUING APPLICATION, CHECK APPROPRIATE BOXES AND SUPPLY THE REQUISITE INFORMATION

19. [ ] Continuation [ ] Divisional   [ ] Continuation-in-Part of prior application No.: _____

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FEE TRANSMITTAL

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Application Number To Be Issued
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METHOD OF PAYMENT

1.   [ ]   The Commissioner is hereby authorized to charge the
           indicated fees to Deposit Account No. 19-1345.

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2.   [X]   Check Enclosed. The Commissioner is hereby authorized
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FEE CALCULATION

1.   [X]   BASIC FILING FEE Subtotal (1) $ 710.00
           (Type: Utility   )

2.   [X]   EXTRA CLAIM FEES Subtotal (2) $ 72.00

           Total Claims 24
           Independent Claims   2
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3.   [ ]   ADDITIONAL FEES Subtotal (3) $_____

           [ ]   Surcharge - late filing fee or oath
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TOTAL AMOUNT OF PAYMENT $ 782.00

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PROCESS FOR COMPREHENSIVE
FINANCIAL AND ESTATE PLANNING

BACKGROUND OF THE INVENTION

This invention relates generally to financial and estate planning and, particularly, to a computerized process for comprehensive, integrated liquidity management for use in generating a financial and estate plan, and custom designing a life insurance product for a

5   client.

Present processes fail to provide a unified, systematic process for all aspects of liquidity planning. As a result, consumers often have separate and sequential plans for retirement and estate planning. Existing insurance products, whether fixed or variable, provide for an amount of coverage purchased through a series of payments. Except in the

10   case of simple guaranteed cost contracts (*e.g.*, whole life or term policies), the total amount of payments depends on non-guaranteed elements such as interest crediting rates, investment fund performance and mortality charges. As a result, a client early in life is often locked into purchasing a significantly greater amount of death benefit than is currently needed in anticipation of matching some arbitrary projection of what his or her wealth will be in the

15   future. If the projection is too high, the client ends up in an "over-funding" situation; if the projection is too low and the term portion inadequate, the client ends up with an "exploding" policy.

In general, a policy is said to "explode" when a client's out-of-pocket premium suddenly increases from the original illustrated premium level to a much higher one. For

20   example, the original illustrated premium and cash value may not meet the requirements for keeping the policy in force due to the lowering of interest crediting rates and raising of mortality costs. Unfortunately, the new premium needed to keep the policy in force at older ages will often be unaffordable. This typically results in the forfeiture of the policy and the

loss of all premiums ever paid, all cash value and all death benefits. Existing insurance products offer very little design and policy management flexibility options to solve these problems. Moreover, the role of the insurance agent has traditionally been to assist with product selection rather than product design.

5   Insurance industry experts recognize that universal life and variable universal life products are also at risk for explosion and over-funding similar to traditional life products and life products with term riders.

           For these reasons, a planning process is needed for reducing the risk of over-funding and exploding insurance products. Moreover, such an actuarial product design is desired to

10   provide a consumer with the ability to make a series of discrete purchases, each of which is completed by a single payment, instead of providing an amount of coverage purchased through a series of payments. This will permit maximizing the amount of death benefit at older ages, maximizing the cash value per premium dollar, minimizing at all times the cost of "at-risk mortality" and tracking current and future liquidity needs.

15   SUMMARY OF THE INVENTION

           The invention meets the above needs and overcomes the deficiencies of the prior art by providing a process for comprehensive, integrated liquidity management for reducing the risk of over-funding and exploding insurance products. Among the several objects of the invention may be noted the provision of such process that permits making a series of discrete

20   insurance product purchases; the provision of such process that maximizes the amount of death benefit at older ages; the provision of such process that maximizes the cash value per premium dollar; the provision of such process that minimizes at all times the cost of "at-risk mortality"; the provision of such process that tracks current and future liquidity needs; and the provision of such process that can be carried out efficiently and economically.

Briefly described, a process embodying aspects of the invention generates a financial and liquidity estate plan for a client. The process includes determining assets of the client and defining a plurality of asset categories based on type and purpose of asset. The process also includes the step of categorizing the client's assets in the defined categories. By performing liquidity analyses of the categorized assets, the process determines current estate liquidity and projected future estate liquidity of the client. The process further includes generating a plan for re-allocating the client's assets among the defined categories based on the liquidity analyses.

Another embodiment of the invention is directed to a process for defining a pre-paid, variable life insurance product. The process includes the steps of defining a premium, determining a cash value of the product based on the premium and then defining a pre-paid death benefit purchased with the premium based on the cash value of the product. According to the process, the cash value of the product is invested in one or more investment accounts and the cash value of the product is then adjusted as a function of gains and losses on the investment accounts. The process further includes the step of defining the pre-paid death benefit purchased with the premium based on the adjusted cash value of the product.

Alternatively, the invention may comprise various other methods and systems.

Other objects and features will be in part apparent and in part pointed out hereinafter.

BRIEF DESCRIPTION OF THE DRAWINGS

FIG. 1 is a block diagram of a computer system for executing a process as part of a program of financial and estate planning in accordance with a preferred embodiment of the invention.

FIG. 2 is a flow diagram illustrating the process of generating a financial and estate plan.

FIGS. 3A-3D are block diagrams illustrating an asset classification structure for use with the process of FIG. 2.

FIG. 4 is a flow diagram illustrating a process for defining a life insurance product for use with the process of FIG. 2.

Corresponding reference characters indicate corresponding parts throughout the drawings.

DETAILED DESCRIPTION OF PREFERRED EMBODIMENTS

Referring now to FIG. 1, one preferred embodiment of the invention uses a computer 10 to execute a process, including a number of modules, as part of a program of integrated financial and estate planning. The present invention is preferably a single point source providing comprehensive, integrated liquidity management for determining the insurance needs of a client and designing an insurance product to meet those needs. The insurance product has a series of pre-paid death benefit amounts in a single contract purchased with a series of one-time premiums instead of a single death benefit purchased with a series of ongoing premiums. The right to make future purchases, as scheduled in the policy, is established at the time the policy is issued. According to the invention, a planner executes the computerized process, also referred to herein as the "Future System Planning Process," to determine the parameters of these insurance products.

The Future System Planning Process has a number of modules to ensure a thorough and efficient solution to the client's financial planning needs. The modules preferably include a retirement protection analysis, a current estate liquidity analysis, an estate tax reduction analysis and a future estate liquidity analysis. The process also includes initially categorizing the client's assets in four asset categories, indicated at reference character 12, and identifying the client's long term financial goals. In particular, the computer 10

calculates a comprehensive solution that identifies which of the client's assets and how much

of them to transfer to particular life insurance products, referred to herein as "Future System

Products." The analyses also provide for an appropriate allocation and consumption of

existing assets. Advantageously, the Future System Planning Process implemented by

5   computer 10 provides more complete and efficient liquidity solutions for the client that are

more likely to be implemented.

The planner combines the four categories of assets with the four steps, or modules, in

the planning process implemented by computer 10. The modules permit those skilled in

estate planning to complete their work on behalf of the client. The process provides

10   complimentary data and, when combined with the Future System Products, provides

solutions to the client's needs otherwise unavailable. According to the invention, this

combination of Future System Planning Process and Future System Products reduces the

likelihood of either over-funding or explosion. The client applies for a premium schedule, as

opposed to a face amount of insurance and, thus, obtains significantly greater flexibility

15   without committing to making future payments to continue the insurance. Indeed, each

payment stands on its own as a pre-paid life insurance purchase because the policy insurance

amount is self-adjusted daily by the computer process using net single premium ratios of cash

value to death benefit. This ensures that no further payments will be required. The cost of

the at-risk insurance amount is calculated and subtracted from the cash value . Beneficially,

20   the new actuarial design of the Future System insurance product better solves the client's

needs.

According to the invention, the process and product together help clients meet their

estate liquidity, estate tax reduction, retirement funding and retirement protection needs. The

Future System Planning Process provides comprehensive, integrated liquidity management

25   coordinating the estate plan's liquidity needs with the design and procurement of the funding

product, protecting wealth for retirement during life and providing liquidity for the estate

after death. The Future System Planning Process addresses multiple issues involved in estate

liquidity planning with one coordinated liquidity solution. As such, the process replaces

and/or coordinates the separate efforts of many different individuals specializing in asset

disposition at death, wills, trusts, cash flow planning, investment planning, retirement, life

5   insurance, qualified plans and individual retirement accounts (IRA's), incomes tax, estate tax

and business continuation plans.

The combination of product and process yields a more efficient, effective and accurate

solution to client planning needs. For the advisor or agent, the process is faster, more

comprehensive and structured to encourage long-term relationships. For the carrier, the

10   combination ensures that the insurance company product remains innovative and relevant in

the rapidly changing financial services marketplace. In addition, the combination of product

and process makes annual financial planning reviews much more relevant and beneficial to

clients. The compensation structure in the product contemplates such review. Moreover, by

setting this up as a trailing fee, the advisor can earn compensation over the long run by

15   attending to client needs over the life of the account.

Referring now to FIG. 2, a flow diagram, generally indicated at 14, illustrates the

basic format of the Future System Planning Process. Presentations, forms and questions take

clients through the entire planning process to meet their financial planning goals. This forms

the basis of the input to the process. Beginning at step 18, the process first determines and

20   classifies the client's assets. In general, the Future System process uses a three-step approach

to classify a client's assets. The approach first structures the client's net worth into four

categories. Each category is then assigned asset types. Finally, each asset type is assigned a

specific purpose. FIGS. 3A-3D illustrate an asset classification structure according to the

invention. In this embodiment, assets are classified in four main categories. In FIG. 3A,

25   Category I classifies personal and pleasure assets, which include assets such as homes, boats,

automobiles, toys and jewelry. These assets provide shelter and enjoyment and enhance the

owner's lifestyle but do not need to be income producing, liquid or consumable. Thus, Category I assets are not considered a source for estate tax liquidity, retirement funding or retirement protection.

FIG. 3B illustrates Category II, which is for reserve capital assets. These assets include cash and cash equivalents such as checking, savings or money market accounts, certificates of deposit, treasury bills, earned income and passive investment ordinary income (e.g., distributions, dividends). In contrast to Category I assets, the assets in Category II provide current estate tax liquidity if death occurs today. These assets are often used for emergencies, opportunities, large capital expenditures and operating capital.

The classification structure of the Future System process distinguishes between retirement funding and retirement protection. Retirement funding is the timeline of asset consumption after retirement. Retirement protection essentially protects the client's minimum desired income level in the event of loss due to unforeseen risks. The traditional retirement planning approach often ignores retirement protection, focusing only on retirement funding. However, retirees in general fail to stay current in their fields, leave their practices and companies and sell their businesses. In short, they lose their current income earning ability. This leads to two conclusions, namely, assets that are the only source of lifetime income should be protected, and all assets needed to protect retirement should be "exempt" property.

FIG. 3C illustrates Category III, which includes unprotected retirement funding assets such as individual stocks that are held long term, municipal bonds/funds, equity in closely held companies, investment real estate and other relatively tax efficient, unprotected assets. These unprotected assets are not exempt from the reach of creditors in bankruptcy. In other words, the Category III assets should either be taxed at a capital gains rate (e.g., 20% or less), non-taxable or tax deferred. Since Category III assets are growth oriented, they provide for

accumulation of wealth, a source of income for living expenses after retirement and current estate tax liquidity if death occurs today.

In FIG. 3D, Category IV includes retirement protection and estate liquidity assets. According to the invention, Category IV includes assets which are in tax deferred vehicles such as Future System Products, annuities, qualified plans, IRA's, simplified employee pensions (SEP's) and life insurance. Depending on state and federal laws, these assets are generally exempt from creditors in bankruptcy and, thus, provide income in case all other assets are lost. Because the vehicles are tax deferred, Category IV assets may use relatively tax inefficient funding products such as stock mutual funds, corporate bonds/funds and individual stocks that are held short term. Tax inefficient pertains to immediate taxation of gains and distributions at ordinary income rates. In addition to providing income when other assets are lost, these exempt assets provide current estate tax liquidity if death occurs today and projected estate tax liquidity.

The Future System Planning Process assists clients in achieving retirement protection by restructuring existing assets with an objective of not impairing current or future lifestyles. This approach encourages the consumption of unprotected assets first, qualified plans, IRA's and annuity assets second, and Future System Products last. Funding priorities are placed on Category IV assets. The process also considers taxes and their effect on the growth of the estate assets. The objective is to maintain tax efficient products that can be held until gains are taxed at long term capital gain rates in Category III, and tax inefficient products in tax deferred vehicles in Category IV. This approach maximizes the compound effect on tax deferral on all asset types and minimizes the tax rate if tax is ever paid.

Referring again to FIG. 2, the process continues at step 20 for determining the client's financial planning objectives. According to the invention, once the client's assets are identified, the client's liquidity objectives are then determined. This is accomplished at the start of each of the four integrated process modules described above: retirement protection

analysis; current estate liquidity analysis; estate tax reduction analysis; and projected estate

liquidity analysis. The objectives to be determined include: 1) retirement protection goals, 2)

estate liquidity goals, 3) estate tax reduction goals, and 4) future estate liquidity goals. The

Future System Planning Process determines client objectives by walking the client through a

5   series of questions in the modules.

The purpose of the retirement protection module is to protect a client's minimum

desired retirement income in the event of a loss of income due to unforeseen risks. This

module distinguishes between assets that are protected and unprotected from bankruptcy.

The current estate tax liquidity module takes a comprehensive look at assets by category with

10   an emphasis on degree of liquidity. The current liquidity module also defines estate

disposition goals, determines if the net amount for the client's heirs is congruent with client's

goals and identifies the need for term insurance, if appropriate. The estate tax reduction

module helps clients to manage estate taxes in a manner consistent with their preferences for

charitable gifting and to identify which assets to gift and when to gift them, given emotional,

15   personal, financial and tax ramifications. Also, the estate tax reduction module completely

separates the two concepts of "gifting" from "providing estate tax liquidity." The projected

future estate tax liability of the client may be much greater than the current tax liability as the

estate continues to escalate in value even after retirement. The purpose of the projected estate

liquidity module is to define the client's estate protection and liquidity goals for the future, to

20   systematically allocate specific assets to be used later for future estate liquidity, to align

investment performance with estate liquidity needs by design and to separate estate planning

from estate liquidity funding.

Appendix A provides an exemplary planning scenario based on execution of the four

modules.

25   At step 22 of FIG. 2, the process provides a calculation of a comprehensive solution

based on the initial asset categorization and identified goals. The solution preferably

identifies which of the client's assets and how much of each asset to transfer to Future

System Products, including additional term riders, as well as the appropriate allocation and

consumption of existing assets. The solution identifies the potential optional premium

schedule to ensure retirement protection and estate liquidity. In addition, the solution

5   identifies and insures liquidity risks with term insurance until self-insurance is possible. The

customized financial plan also allocates the sub-accounts to mirror the allocation of assets

that make up the remaining non-Future System Product estate assets, mirroring potential risk

and future growth as closely as possible.

Preferably, computer 10 generates a report using, for example, Microsoft

10   PowerPoint®, Excel® and Word® software applications to meet each individual client's

needs for designing a customized plan. This includes all the requisite calculators. The main

output of these tools is a liquidity analysis form generated through Microsoft Visual Basic®

and Excel® software applications. At the final step of FIG. 2, step 24, the process

implements the client plan (and reviews it on an on-going basis).

15   With respect to implementing a solution meeting the client's needs, the present

invention provides the ability to purchase a Future System Product with a series of pre-paid

death benefit amounts in a single contract with a series of one-time premiums instead of

paying a series of ongoing premiums on a single death benefit amount. Preferably, the right

to make future purchases, as scheduled in the policy, is established at the time the policy is

20   issued. Insurability does not need to be re-established in order to make the successive

purchases over time. Each premium payment acquires an amount of life insurance that varies

with investment results over time, but which is fully purchased once the premium is paid.

Under this unique approach, each net premium payment buys pre-paid variable life insurance

for which no further premium payments are required. There is always enough money to pay

25   all future mortality charges, regardless of investment performance. Any increase or decrease

in death benefit is caused by performance of the accounts of the life policy or additional one-

time premium payments. When these payments are made, they will create additional cash

values and, therefore, a higher potential death benefit.

Referring now to FIG. 4, a flow diagram 30 illustrates operation of the invention to

define a Future System Product according to the present invention. In general, Future System

Products are "pre-paid" insurance products. This type of product is similar to a "paid up"

product, which is a fixed policy that does not have any future premiums. It differs from a

"paid up" product in that the death benefit amount of the Future System Product is not fixed

and varies proportionately to investment results. Beginning at step 32, the client deposits a

premium into the contract. Since Future System Products are pre-paid, the premium can be

deposited in any year. Proceeding to step 34, the initial cash surrender value in the policy is

determined by subtracting certain values from the premium. For example, the cash surrender

value is determined by subtracting a premium sales charge (0% in this instance), a premium

federal tax charge *(e.g.,* 1.3%) and a premium state tax charge *(e.g.,* 2.25%). In a preferred

embodiment, a one-time premium administrative charge *(e.g.,* $800) is subtracted from the

premium at the beginning of the first month of the policy for lifetime service and

administration of the policy. This calculation yields the initial cash surrender value of the

policy created by the premium payment. In a preferred embodiment of the invention, the

cash value amount is allocated among one or more sub-accounts. For example, the client

may be able to select from a number of different funds. The account values for the different

funds fluctuate daily with investment performance (see step 38). Moreover, cash value can

be reallocated among the sub-accounts at any time. At step 36, the life insurance base

amount (or death benefit) is determined as a function of the cash surrender value. The base

amount will vary as a function of the age of the insured and his/her risk classification and

smoking status. This amount represents the minimum pre-paid variable insurance that must

be purchased on any given day by law to retain life insurance status (net single premium

method) based on age declining ratio to cash value amount on any given day. The purchase

of Future System Products provides for all future mortality costs on a guaranteed basis; the

costs are deducted from cash value as earned.

According to the invention, the Future System Product re-calculates the value of the

account every day. Proceeding to step 38, the cash surrender value is adjusted for charges

and the gain or loss on investment performance. The flow diagram returns to steps 32 and 34

to account for new premiums (net premium charges). The charges subtracted from the cash

surrender value include a mortality charge and an optional term insurance mortality charge.

The mortality charge represents a pro-rated portion of a monthly charge for the "at risk

amount" (*i.e.*, the difference between the life insurance amount and the cash value). The

optional term insurance mortality charge varies based on the age of the insured and his/her

risk classification and smoking status. This optional charge is for a level term that does not

vary with investment performance and that can be purchased in addition to the mandatory life

base. Since it is optional, the term can be removed or reduced at any time. Other charges

subtracted from the cash surrender value include an insurer expenses asset charge and an

agent compensation asset charge. As an example, the maximum insurer expenses asset

charge is 0.75% annual rate. The maximum agent compensation asset charge is 1.5%, for

example, for liquidity planning using the Future System Planning Process, custom private

policy design, continued service and tracking of the liquidity plan to policy performance and

design. The asset charges can be reduced by a breakpoint schedule. An advantage of the

Future System Product is the ability to spread these costs over the life of the account. An

integral feature of the Future System Product is to adjust the cash surrender value for daily

investment performance. In this instance, the cash value increases or decreases with the gain

or loss to separate account values.

At step 40, the life insurance base amount is determined as a function of the adjusted

cash surrender value. As described above, this amount represents the minimum pre-paid

variable insurance that must be purchased on any given day by law to retain life insurance

status (net single premium method) based on age declining ratio to cash value amount on any given day. In other words, the amount varies daily relative to cash value still based on the age declining ratio.

5   The Future System Product is unlike term insurance where premiums are typically guaranteed but then the coverage expires or must be converted to permanent insurance at a much higher cost. Moreover, the Future System Product is unlike universal life insurance where mortality costs are usually guaranteed but unscheduled future premiums may be required.

10   A life insurance company product without an up-front "at risk" death benefit and high front-end loads is typically referred to as an "annuity." However, annuities are subject to income taxation on the entire gain at death under the current tax laws. The Future System Product lowers each product cost and charge as much as possible. This maximizes the policy's immediate and ultimate cash values and the ultimate death benefit while at the same time retaining the tax status of life insurance under current law (see Section 7702 of the tax

15   code). According to the invention, the Future System Product provides these advantageous results by 1) removing as many up-front loads as possible and reducing ongoing charges for expenses, mortality and profit, while providing several growth options, to maximize the cash value per premium dollar of the policy; and 2) cash value purchasing the minimum amount of life insurance necessary under Section 7702 using the net single premium approach to

20   minimize at all times the cost of "at risk mortality."

To improve the flexibility of the product, the client has the option of adding an up-front term death benefit rider to the product to the least level needed and retaining it for the least time necessary to insure "current risk" not self-insurable through existing liquidity. The Future System Planning Process applies risk management principles to achieve custom

25   private policy design at or in between these two extremes of maximum term or no term.

Policy management flexibility and options allow the three product components, namely, premium, cash value and death benefit, to each be altered without affecting the other two, working "independently" instead of "interdependently". With this product, the term rider can be reduced or eliminated anytime without decreasing premium, surrendering cash

5   value or incurring surrender charges. The premium can be reduced or stopped any year without surrendering cash value or any death benefit. The cash value can be surrendered without reducing premium or term rider.

In a preferred embodiment of the invention, the results of the Future System Planning Process liquidity analysis determines an annual premium schedule for which the client will

10   apply. Underwriting by the insurance company is based on a projected amount at risk assuming the annual premium schedule applied for is paid and a reasonable gross annual interest rate is earned by the client. The process of applying and being underwritten for the annual premium schedule gives the client the right to make future purchases within the annual premium schedule. Purchases within a policy year may be made at any time within

15   the limitation of the annual premium schedule. Moreover, premiums may be discontinued at any time without canceling the existing coverage.

Each premium paid purchases a death benefit on the date it is paid based on its net contribution into the cash value of the policy, assumptions of guaranteed mortality costs and the general account guaranteed interest rate. The death benefit beyond that date fluctuates as

20   cash value fluctuates. At the time of the policy issue, the insurance company can charge, for example, a one-time administrative charge. The only charges after issue are a percentage of premium, mortality charges and a percentage of cash value. These features, in combination with the determination of death benefit being recalculated daily based on net single premiums, ensure that there will be enough money to pay future mortality charges without

25   paying additional premiums.

In view of the above, it will be seen that the several objects of the invention are achieved and other advantageous results attained.

As various changes could be made in the above constructions and methods without departing from the scope of the invention, it is intended that all matter contained in the above description or shown in the accompanying drawings shall be interpreted as illustrative and not in a limiting sense.

APPENDIX A

Example of Modules

The retirement protection module determines a minimum amount of after-tax income that will be needed to fund retirement if all other assets and retirement funding vehicles are lost. The after-tax income is in the form of a fund of exempt assets since the module addresses retirement protection rather than funding.

Using Joe and Jane Client as an example, the retirement protection module uses the input data shown in Table A-1:

TABLE A-1

RETIREMENT PROTECTION INPUT	VALUE
Present Age	60
Expected retirement protection age	65
Maximum age of mortality	95
Protected annual after-tax retirement income	$200 K

The protected annual after-tax retirement income is measured in present day dollars and depends greatly on the retirement lifestyle desired by the client. Assuming an inflation rate of 3%, the retirement protection module calculates that an annual after-tax income of approximately $232 K will be needed by the planned retirement age of 65. Based on these figures, the retirement protection module calculates that approximately $2.75 M with zero remaining is needed in after tax principal if the after-tax interest to age 95 is 6% (or using an immediate annuity rate at that age for lifetime income). Similarly, based on the inflated after-tax annual income, the retirement protection module calculates that approximately $3.19 M with zero remaining is needed in after-tax principal if the after-tax interest to age 95 is 6% (or using an immediate annuity rate at that age for lifetime income). These figures yield an after-tax principal of approximately $4.90 M being needed if payout is indexed at 3% for inflation.

If the client currently has $1.13 M in protected liquid assets, this amount provides immediate protection in case of a total loss today. Assuming an after-tax growth rate of 6%, the future value of this amount is approximately $2.02 M leaving a deficiency of $1.17 M. The retirement protection module then determines that the annual funding into Future System Products for the five years before retirement is about $190 K to be divided half on the life of the husband and half on the life of the wife. For simplicity, this figure is shown as $200 K in Table A-6, below. In other words, the retirement protection module calculates the amount of non-exempt assets to be converted to exempt assets based on inter-related factors such as the rate of consumption of assets, timeline, client preferences and so forth.

The following Table A-2 is an example of a comprehensive look at Joe and Jane Client's estate tax liquidity:

TABLE A-2

Joe and Jane Client's Present Assets	Net Equity (before tax)	Net Equity (after tax)	Death Liquidity	Retirement Income (after tax)
CATEGORY I				
Home Equity	400,000	400,000	0	
Personal & Autos	100,000	100,000	0	
Vacation Home	100,000	100,000	0	
CATEGORY I Sub-Total	600,000	600,000	0	
CATEGORY II				
Cash	600,000	600,000	600,000	
Accrued Income Tax Liability	0	0	0	
Expected Inheritance	0	0	0	
CATEGORY II Sub-Total	600,000	600,000	600,000	
CATEGORY III				
Family Business	2,000,000	1,700,000	0	300,000
Listed Securities	1,200,000	950,000	1,100,000	0
CATEGORY III Sub-Total	3,200,000	2,650,000	1,100,000	300,000
CATEGORY IV				
Future System Products				
Deferred Annuities	200,000	180,000	180,000	
SEP	400,000	250,000	225,000	
CATEGORY IV Sub-Total	600,000	430,000	405,000	
INSIDE Total	5,000,000	4,280,000	2,105,000	
OUTSIDE ESTATE ASSETS				
L.l. C.V./Paid Up Insurance	250,000	250,000	500,000	
OUTSIDE Total	250,000	250,000	500,000	

The current estate liquidity module uses a precise method to determine the estate

liquidity goals of the client and incorporates all available estate tax liquidity, minimizing

traditional life insurance. Once the estate disposition goals are defined, the following values,

shown in Table A-3, are calculated:

TABLE A-3

CURRENT ESTATE LIQUIDITY	VALUE
Current Net Worth of Joe and Jane Client	$5.0 M
Current liquidity need assuming both spouses died today	$1.9 M
Net to heirs from the estate	$3.1 M
Total current liquidity available	$2.6 M
Current liquidity inside the estate	$2.1 M
Current liquidity outside the estate	$0.5 M
Shrinkage due to forced sale of assets	$0.0 M
Heirs' trust (prior gifted) assets outside the estate (including paid up amount on existing policies)	$0.5 M
Total after tax to heirs	$3.6 M
Amount to each heir	$1.8 M

Based on the above analysis, each of the two heirs of Joe and Jane Client will receive

$1.8 million. In this particular example, $1.8 million to each heir is congruent with their

goals, and the amount of up-front death benefit needed outside of the estate for deficiency due

to desire or liquidity is $0.

The example of Joe and Jane Client also identifies the information determined

through the estate tax reduction/lifetime gifting/charitable planning process of the estate tax

reduction module. This module determines the following information shown below in Table

A-4:

TABLE A-4

PLANNING INFORMATION	GOAL
Desire to make lifetime gifts?	Desire gifting as long as it does not affect their liquidity, retirement income or surplus cash from earned income.
Desire for long-term gifting program?	Not their preference.
Who should receive what gifts?	Primarily children with some financial and some non-financial gifts.
Charitable intentions?	None.
Level of gifting?	Annual exclusion and maybe some unified credit later, but not today.
What assets will be gifted and when (based on availability, desire, financial, and tax ramifications)?	Begin gifting a discounted interest in the business to Joe Jr. and some cash to John to equalize the gifts.
How much of these assets is cash?	$20,000 since they have been gifting that much anyway, but only if there is no commitment.
How much of cash is to be gifted outright for present day enjoyment?	$10,000 cash.
How much cash is to be used for the specific purpose of purchasing Future System Products to fund tax liquidity needs at death?	$10,000 Future System Products.
How much of cash contributions from heirs to purchase Future System Products on the lives of the parents?	$25,000 annually (this figure is the result of the heirs deciding to purchase Future System Products on their parents).

The projected estate liquidity module for Joe and Jane Client projects the following

values shown in Table A-5:

TABLE A-5

PROJECTED ESTATE LIQUIDITY	VALUE
Maximum projected tax (based on 7% CAGR over 35 years which is the remaining time to expected mortality rate)	$17 M
Total projected death benefits (based on 8% CAGR over 35 years; assets include retirement protection with Future System Product policies and conversion of annuities, life insurance, IRA's, and qualified plans to Future System Product policies)	$13 M
Shortfall in projected liquidity	$4 M

Since there is a $4 million shortfall in projected liquidity, Joe and Jane Client may elect to gift more, increase the liquidity from their retirement policy by either increasing the annual transfer or the projected number of years to make transfers and/or add an optional Future System Product premium to the retirement protection and estate liquidity category (*i.e.*, $100 K per year for six years).

In summary, the action plan for Joe and Jane Client defined by the Future System Planning Process modules includes building Category IV assets first (*e.g.*, Future System Products, SEP's, deferred annuities), re-classifying specific assets such as IRA's and qualified plans, eliminating annuities (consider paying tax now to avoid future taxes) and performing a Section 1035 exchange on current insurance. The following Table A-6 illustrates the action plan, with values in thousands ('000's):

TABLE A-6

	INSIDE THE ESTATE					OUTSIDE THE ESTATE			
Year	Retire-ment Protect	Life Ins Sec 1035	Annuity Conv (Proj Liq)	QP/IRA Conv (Proj Liq)	Proj Estate Tax	Life Ins Sec 1035	Gifted Cash	Heirs Contrib	Total
1	200	0	180	250	.	250	10	25	915
2	200	.	.	.	.	.	10	25	235
3	200	.	.	.	.	.	10	25	235
4	200	.	.	.	.	.	10	25	235
5	200	.	.	.	.	.	10	25	135
6	.	.	.	.	100	.	10	25	135
7	.	.	.	.	100	.	10	25	135
8	.	.	.	.	100	.	10	25	135
9	.	.	.	.	100	.	10	25	135
10	.	.	.	.	100	.	10	25	135
11	.	.	.	.	100	.	10	25	135
12	.	.	.	.	100	.	10	25	135
13-35	.	.	.	.	.	.	10	25	35

CLAIMS

WHAT IS CLAIMED IS:

1. A process for generating a financial and liquidity estate plan for a client, said process comprising the steps of:

determining assets of the client;

defining a plurality of asset categories based on type and purpose of asset;

categorizing the client's assets in the defined categories;

performing liquidity analyses of the categorized assets to determine current estate liquidity and projected future estate liquidity of the client; and

generating a plan for re-allocating the client's assets among the defined categories based on the liquidity analyses.

2. The process of claim 1 wherein the step of defining the categories includes defining a first category for assets that are generally non-liquid and intended for personal enjoyment of the client.

3. The process of claim 1 wherein the step of defining the categories includes defining a second category for cash and cash-equivalent assets that are generally intended for reserve capital purposes.

4. The process of claim 1 wherein the step of defining the categories includes defining a third category for unprotected assets that are generally growth oriented and intended for funding retirement of the client.

5. The process of claim 1 wherein the step of defining the categories includes defining a fourth category for protected assets that are generally exempt from creditors and intended for providing retirement protection and estate liquidity.

6. The process of claim 1 further comprising the step of defining a life insurance product, said product being a protected asset having a pre-paid death benefit purchased with a single premium and providing a series of additional pre-paid death benefits each purchased with a single premium as scheduled for future purchase.

7. The process of claim 6 wherein the defined life insurance product is a pre-paid, variable life insurance product.

8. The process of claim 6 wherein the step of defining the life insurance product includes maximizing cash value of the product per premium dollar by removing up-front loads and reducing ongoing charges.

9. The process of claim 6 wherein the step of defining the life insurance product includes minimizing "at risk mortality" costs by cash value purchasing a minimum desired amount of life insurance.

10. The process of claim 6 wherein the plan for re-allocating the client's assets includes consuming unprotected assets before protected assets.

11. The process of claim 10 wherein the plan for re-allocating the client's assets further includes consuming the defined life insurance product after other protected assets.

12. The process of claim 1 wherein the step of performing the liquidity analyses includes determining asset protection needs of the client.

13. The process of claim 1 wherein the step of performing the liquidity analyses includes executing a plurality of modules for analyzing the categorized assets.

14. The process of claim 13 wherein the liquidity analyses modules include a current liquidity module, said current liquidity module comprising the steps of analyzing the categorized assets and determining the current liquidity of the client's assets.

15. The process of claim 13 wherein the liquidity analyses modules include a retirement protection module, said retirement protection module comprising the steps of defining retirement goals of the client, calculating the amount of assets needed in each of the defined categories to meet the defined retirement goals, analyzing the categorized assets and determining whether the client's assets meet the defined retirement goals.

16. The process of claim 15 wherein the retirement protection module further comprises the step of calculating an amount of non-exempt assets to convert to exempt assets based on a projected rate of consumption of assets relative to the client's retirement goals.

17. The process of claim 16 wherein the retirement protection module further comprises the step of calculating a systematic asset allocation schedule for converting the non-exempt assets to exempt assets.

18. The process of claim 13 wherein the liquidity analyses modules include estate tax liquidity and estate tax reduction modules, said estate tax liquidity and reduction modules

comprising the steps of defining estate protection goals of the client, calculating the amount

of assets needed in each of the defined categories to meet the defined estate protection goals,

analyzing the categorized assets and determining whether the client's assets meet the defined

estate protection goals.

19. The process of claim 1 wherein the steps of categorizing the client's assets,

performing the liquidity analyses and generating the plan for re-allocating the client's assets

are executed on a computer.

20. A process for defining a pre-paid, variable life insurance product comprising the

steps of:

   defining a premium;

   determining a cash value of the product based on the premium;

   defining a pre-paid death benefit purchased with the premium based on the cash value

of the product;

   investing the cash value of the product in one or more investment accounts;

   adjusting the cash value of the product as a function of gains and losses on the

investment accounts; and

   defining the pre-paid death benefit purchased with the premium based on the adjusted

cash value of the product.

21. The process of claim 20 wherein the step of adjusting the cash value of the

product is performed daily.

22. The process of claim 20 further comprising the step of maximizing the cash value

of the product per premium dollar by removing up-front loads and reducing ongoing charges;

23. The process of claim 20 further comprising the step of minimizing "at risk
mortality" costs by cash value purchasing a minimum desired amount of life insurance.

24. The process of claim 20 further comprising the step of providing a series of
additional pre-paid death benefits each purchased with a single premium as scheduled for
future purchase.

ABSTRACT OF THE DISCLOSURE

A process for generating a financial and liquidity estate plan for a client and defining a life insurance product for use therewith. The process includes determining the client's assets and defining a plurality of asset categories based on type and purpose of asset. The process also includes categorizing the client's assets in the defined categories. By performing liquidity analyses of the categorized assets, the process determines current estate liquidity and projected future estate liquidity of the client. The process further includes generating a plan for re-allocating the client's assets among the defined categories based on the liquidity analyses. The product defined by the process is a pre-paid, variable life insurance product having a death benefit that varies daily as a function of gains and losses on the invested cash value of the product.

FIG. 1

COMPUTER

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CURRENT LIQUIDITY

RETIREMENT PROTECTION

ESTATE LIQUIDITY

ESTATE TAX REDUCTION

ASSET CATEGORIES

12

I

II

III

IV

FIG. 2

14

DETERMINE CLIENT ASSETS	DETERMINE CLIENT OBJECTIVES	PROVIDE FUTURE SYSTEM OUTPUT	IMPLEMENT CLIENT PLAN
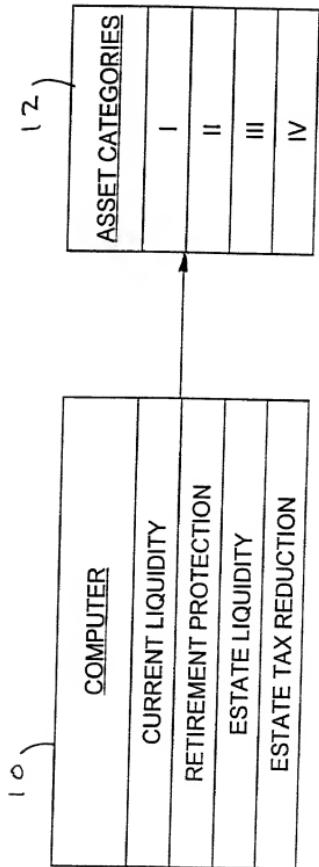
18   20   22   24
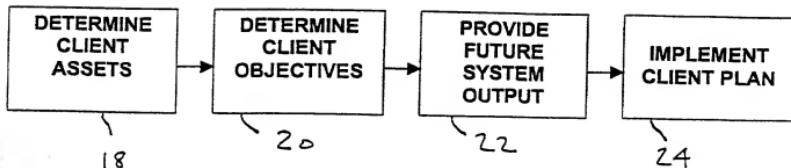
FIG. 3A

CATEGORY I
PERSONAL AND PLEASURE

ASSET TYPES:	ASSET PURPOSE:
-HOMES	-SHELTER AND ENJOYMENT
-BOATS	-LIFESTYLE ENHANCING
-AUTOS	-NON-INCOME PRODUCING
-TOYS	-NON-LIQUID
-JEWELRY	-NON-CONSUMABLE

FIG. 3B

CATEGORY II
RESERVE CAPITAL

ASSET TYPES:	ASSET PURPOSE:
CASH AND EQUIVALENTS:	-EMERGENCIES
-CHECKING	-OPPORTUNITIES
-SAVINGS	-LARGE CAPITAL EXPENDITURES
-MONEY MARKET	-OPERATING CAPITAL
-CD'S	-CURRENT ESTATE TAX LIQUIDITY
-T-BILLS	(IF DEATH OCCURS TODAY)
-EARNED INCOME	
-PASSIVE INVESTMENT ORDINARY INCOME	

FIG. 3C

CATEGORY III
RETIREMENT FUNDING

ASSET TYPES:	ASSET PURPOSE:
-INDIVIDUAL STOCKS HELD LONG TERM -MUNICIPAL BONDS/FUNDS -CLOSELY HELD COMPANY EQUITY -INVESTMENT REAL ESTATE	-WEALTH ACCUMULATION (GROWTH ORIENTED) -SOURCE OF INCOME FOR LIVING EXPENSES AFTER RETIREMENT -CURRENT ESTATE TAX LIQUIDITY IF DEATH OCCURS TODAY

FIG. 3D

| CATEGORY IV |
| --- |
| RETIREMENT PROTECTION AND ESTATE LIQUIDITY |

ASSET TYPES:	ASSET PURPOSE:
-FUTURE SYSTEM PRODUCTS -ANNUITIES -QUALIFIED PLANS -IRA'S -SEP'S -LIFE INSURANCE	-EXEMPT ASSETS FROM CREDITORS TO PROVIDE INCOME ONLY IN CASE ALL OTHER ASSETS ARE LOST -CURRENT ESTATE TAX LIQUIDITY IF DEATH OCCURS TODAY -PROJECTED ESTATE TAX LIQUIDITY

FIG. 4

DEPOSIT PREMIUM — 32

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DETERMINE INITIAL CASH SURRENDER VALUE: — 34
    SUBTRACT PREMIUM SALES CHARGE
    SUBTRACT PREMIUM ADMINISTRATIVE CHARGE
    SUBTRACT PREMIUM FEDERAL DAC TAX CHARGE
    SUBTRACT PREMIUM STATE PREMIUM TAX CHARGE

36
DETERMINE LIFE INSURANCE BASE AMOUNT

ADJUST CASH SURRENDER VALUE: — 38
    SUBTRACT MORTALITY CHARGE
    SUBTRACT OPTIONAL TERM INSURANCE MORTALITY CHARGE
    SUBTRACT INSURER EXPENSES ASSET CHARGE
    SUBTRACT AGENT COMPENSATION ASSET CHARGE
    ADD/SUBTRACT DAILY INVESTMENT PERFORMANCE

40
DETERMINE ADJUSTED LIFE INSURANCE BASE AMOUNT

DECLARATION AND POWER OF ATTORNEY

REGULAR OR DESIGN APPLICATION

As a below named inventor, I hereby declare that:

My residence, post office address and citizenship are as stated below next to my name.

I believe I am the original, first and sole inventor (if only one name is listed below) or an original, first and joint inventor (if plural names are listed below) of the subject matter which is claimed and for which a patent is sought on the invention entitled:

PROCESS FOR COMPREHENSIVE FINANCIAL AND ESTATE PLANNING

the specification of which:

(check one)

[X] is attached hereto
[ ] was filed on _____ as Application Serial No.
    _____, and was amended on _____.
[ ] was described and claimed in PCT International Application
    No. _____, filed on _____ and as amended
    under PCT Article 19 on _____, if any.

ACKNOWLEDGMENT OF REVIEW OF PAPERS AND DUTY OF CANDOR

I hereby state that I have reviewed and understand the contents of the above identified specification, including the claims, as amended by any amendment referred to above.

I acknowledge the duty to disclose information which is material to patentability as defined in Title 37, Code of Federal Regulations §1.56.

PRIORITY CLAIM

I hereby claim foreign priority benefits under Title 35, United States Code, §119 (a) - (d) or §365(b) of any foreign application for patent or inventor's certificate, or §365(a) of any PCT application which designates at least one country other than the United States of America, listed below and have also identified below any foreign application for patent or inventor's certificate having a filing date before that of the application on which priority is claimed:

Priority Claimed

(Number)	(Country)	(Day/Month/Year Filed)
(Number)	(Country)	(Day/Month/Year Filed)
(Number)	(Country)	(Day/Month/Year Filed)

Priority Not Claimed

ANY FOREIGN APPLICATION(S), ON THE SAME SUBJECT MATTER WHICH HAS A FILING DATE EARLIER THAN THE EARLIEST APPLICATION FROM WHICH PRIORITY IS CLAIMED

(Number)	(Country)	(Day/Month/Year Filed)

CLAIM FOR BENEFIT OF PROVISIONAL APPLICATION(S)

I hereby claim the benefit under Title 35, United States Code, §119(e) of any United States provisional application(s) listed below.

60/167,083   11/23/99
(Application Number)   (Filing Date)

(Application Number)   (Filing Date)

CLAIM FOR BENEFIT OF EARLIER U.S. APPLICATION(S)
UNDER 35 U.S.C. 120

(complete this part only if this is a divisional,
continuation or CIP application)

I hereby claim the benefit under Title 35, United States Code,
§120 of any United States application(s), or §365(c) of any PCT
international application designating the United States of
America, listed below and, insofar as the subject matter of each
of the claims of this application is not disclosed in the prior
United States application in the manner provided by the first
paragraph of Title 35, United States Code §112, I acknowledge the
duty to disclose information which is material to patentability
as defined in Title 37, Code of Federal Regulations, §1.56 which
became available between the filing date of the prior application
and the national or PCT International filing date of this
application:

_____   _____   _____

(Serial No.)   (Filing Date)   (Status)

_____   _____   _____

(Serial No.)   (Filing Date)   (Status)

POWER OF ATTORNEY

I hereby appoint the following attorneys to prosecute this
application and to transact all business in the Patent and
Trademark Office connected therewith: Irving Powers (15,700),
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Christopher M. Goff (41,785), James E. Butler (40,931), Derick E.
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Brian P. Klein (44,837), Sarah J. Chickos (46,157), Donald W.
Tuegel (45,424), Steven M. Ritchey (46,321), Michael J. Thomas
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Metropolitan Square, 16th Floor, St. Louis, Missouri 63102.

I hereby declare that all statements made herein of my own knowledge are true and that all statements made on information and belief are believed to be true; and further that these statements were made with the knowledge that willful false statements and the like so made are punishable by fine or imprisonment, or both, under Section 1001 of Title 18 of the United States Code and that such willful false statements may jeopardize the validity of the application or any patent issued thereon.

- -

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Second inventor's signature _____ Date _____

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Post Office address _700 Market Street_____

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